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FISCAL IMPACT STATEMENT

LS 6975

BILL NUMBER: HB 1288

NOTE PREPARED: Apr 19, 2011

BILL AMENDED: Apr 14, 2011

SUBJECT: Maximum property tax levy calculations.

FIRST AUTHOR: Rep. Smith M

FIRST SPONSOR: Sen. Charbonneau

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) *Maximum Levies:* This bill provides that a civil taxing unit's maximum permissible property tax levy may not be reduced if the unit does not use its entire maximum levy authority in the preceding year. It also provides that a school corporation's maximum permissible transportation levy may not be reduced if the school corporation does not use its entire maximum levy authority in the preceding year.

Exemptions: The bill permits Christamore House Inc. and any similarly situated nonprofit property owner to file a late property tax exemption application for a parcel of property that: (1) had a property tax exemption in 2006 and 2007 and has a property tax exemption in 2010 but did not have a property tax exemption in 2008 and 2009; and (2) is adjacent to a parcel of the owner's property that had a property tax exemption in 2008 and 2009.

The bill also permits a taxpayer having real property located in Decatur Township that failed to file a timely real property tax exemption for the 2008 and 2009 assessment dates to refile for the exemption and receive the exemption if the taxpayer had previously received an exemption and demonstrates that the real property otherwise qualified for the exemption.

Effective Date: July 1, 2011.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Maximum Levies:* Prior to 2004, civil taxing unit and school transportation maximum permissible levies were calculated each year by multiplying the previous year's maximum levy by the six-year average increase in Indiana nonfarm personal income (limited to 6% with some exceptions). A taxing unit that did not use all of its maximum levy in a year never lost the unused amount from its base.

Under SEA 1 - 2004, the calculation for the maximum levies was changed so that the new maximum levy was equal to the previous year's actual levy rather than the maximum levy. This change removed the previously unused portion of maximum levies from the base and eliminated any "banking" of unused levy authority in the future.

Under SEA 260 - 2006, the old maximum levy calculation and the "banking" of unused levy authority were partially restored for civil units beginning with taxes payable in 2007. One-half of the previous year's unused levy authority is available for use in the current year. Maximum levy authority that was lost in a year prior to 2007 was not restored.

Beginning with taxes payable in 2012 under this bill, the maximum levy calculation for civil units and school transportation funds would revert to the pre-2004 calculation method. This means that any unused levy authority in a year would be available in all future years.

For taxing units that need to levy their entire maximum levy amount each year, this provision would have no effect. For other taxing units, this provision could have one of two effects, depending on the taxing unit. First, some units may currently levy their maximum amount each year even if it is not needed so that the unit does not lose one half of the unused amount. For these units, this provision could result in lower levies in years when the unit does not need the entire levy. Second, some units levy only what they need to levy, regardless of the fact that one half of the unused levy authority is lost each year. For these units, this provision could result in higher levies in years when the unit decides to take advantage of their unused authority.

In all cases, if a unit elects to use previously unused levy authority in a specific year, then taxpayers would be faced with a larger than normal increase in the tax rate in that year. However, if the unit has unused levy authority, the unit's tax rate growth might have been nominal up until the year that the unit uses the banked levy authority under this provision.

Exemption - Christamore House: Under this provision, the owner of real or personal property may receive a property tax exemption for taxes payable in 2009 and 2010 if:

- 1) The owner received an exemption on the property for taxes payable in 2007, 2008, and 2011;
- 2) The owner failed to timely file an exemption application for taxes payable in 2009 and 2010; and
- 3) The property is adjacent to another parcel owned by the same domestic nonprofit corporation that was granted an exemption for taxes payable in 2009 and 2010.

The total number of properties that could be affected is unknown. One property owner in Marion County has been identified as qualifying for the exemption under this provision. The combined net taxes billed on the real and personal property for 2009 and 2010 total \$3,459.

Under this bill, the exemption would apply retroactively and the tax bills would be cancelled. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share

of the \$3,459 that is due. The bill would require a refund if any of the tax has already been paid.

Exemption - Decatur Township: Under this provision, a taxpayer would receive an exemption for property taxes payable in 2009 and 2010 if:

- 1) The property is in Decatur Township, Marion County;
- 2) The property would have qualified for the exemption if an application had been timely filed;
- 3) The owner received an exemption on the property either before or after the 2008 and 2009 assessment dates.

The total number of properties that could be affected is unknown. One property owner in Decatur Township has been identified as qualifying for the exemption under this provision. The combined net taxes billed on the real and personal property for 2009 and 2010 total about \$157,000.

Under this bill, the exemption would apply retroactively and the tax bills would be cancelled. The local taxing units and school corporation located in the property's taxing district would forego receipt of their share of the \$157,000 that is due.

Additional information: This property is leased to a local school corporation. Under the terms of the lease, the school corporation may be liable for the existing property tax bill.

State Agencies Affected Department of Local Government Finance.

Local Agencies Affected: All civil taxing units and school corporations.

Information Sources: OFMA Property Tax Database.

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